

BUDGET, FINANCE & INVESTMENT COMMITTEE

May 31, 2011

5:30 P.M.

Courthouse

MINUTES:

Members Present:

Comm. Charlie Baum
Comm. Joe Frank Jernigan
Comm. Will Jordan
Comm. Robert Peay, Jr.
Comm. Steve Sandlin
Comm. Doug Shafer
Comm. Joyce Ealy, Chrm.

Others Present:

Ernest Burgess
Comm. Jeff Jordan
Aaron Holladay
Mark Byrnes
Harry Gill
Lisa Nolen
Jeff Sandvig

Others Present:

Don Odom
Mealand Ragland-Hudgins
Elaine Short

Chairman Ealy presided and called the meeting to order with all members being present. The purpose of the meeting was to review the Board of Education's 2011-12 budget proposals.

APPROVE MINUTES:

The minutes of the May 16, 17, and 18 Budget Committee meetings were presented for approval.

Comm. Jordan moved, seconded by Comm. Shafer to approve all three sets of minutes as presented.

The motion passed unanimously by acclamation.

2011-12 GENERAL PURPOSE SCHOOL FUND BUDGET:

Mr. Harry Gill, Director of Schools, and Mr. Jeff Sandvig, Assistant Superintendent, were present to answer questions regarding the 2011-12 General Purpose School Fund budget. The estimated revenue totaled \$260,423,271, and the proposed appropriations totaled \$266,883,810 as recommended by the Board of Education and the Health & Education Committee.

Mr. Gill advised that the proposed expenditures represented an increase of \$9,835,329 from \$257,048,481 to \$266,883,810. The budget represented a three percent increase over the 2010-11 budget and included 100 new positions.

Mr. Gill advised that a large portion of the increase was due to the Governor's proposal to give all certified staff a pay increase of 1.6%. He advised that the Board's position was if the certified staff received a pay increase that the same percent increase should be given to the classified staff. The pay increase for all staff including benefits amounted to \$2,974,097. Several positions that were previously funded with ARRA funds were being absorbed into the budget at a cost of \$1,066,431 including benefits. The budget was built on 2.5 percent growth. He advised that another substantial increase to the budget was \$500,000 for technology for upgrades and a lot of the equipment was old. He explained that some of the computers would not run the software. Mr. Gill explained that the budget would basically fund the same services that were currently being provided.

Mr. Gill explained that because of legislative changes, they would be required to observe more teachers. That resulted in the need for five additional retirees to evaluate. Money has also been budgeted for ipads to assist the evaluators.

Mr. Gill advised that the revenue source in the 2010-11 budget consisted of \$250,499,682 in estimated revenue, \$6,301,428 from the fund balance, and \$296,980 in additional revenue.

Mr. Gill advised that in the 2011-12 budget the projected revenue consisted of \$260,423,271 in local and state revenue without a property tax increase. He explained that \$6,460,539 would be funded from the fund balance in order to balance the budget. He explained that the fund balance far exceeded the 3% requirement. He advised that after the \$6.4 million of the fund balance was used toward the budget, the fund balance would still be at 3.75%. He explained that the reason

the fund balance was so healthy was because of an increase in the estimation for local sales tax, property tax, and BEP growth money.

Mr. Gill explained that other actions regarding the budget were five regular education teachers for Central Magnet School due adding the 11th grade, three ESL teachers, three Elementary Intervention teachers, and 35 growth teachers. Mr. Gill explained other positions that were being absorbed into the budget that were previously funded through ARRA, as well as minimum numbers of teachers for special education, CDC, Behavior growth, and Spectrum growth.

Comm. Sandlin asked for an explanation of the Compliance Liaison.

Mr. Sandvig explained that the individual would work with principals, sometimes the parents, and the teachers to ensure what was required by the child's IEP.

Mr. Gill explained that an IEP was an Individualized Education Program. If a student has a disability or is a Spectrum student, an IEP is done. The school system is required to make sure that the IEP is being followed. He stated that the consequences could be substantial if the IEP was not followed.

Comm. Shafer asked about the eight new Vocational Education teachers. He stated that his understanding was that it took 23 credit hours to graduate. He asked if the state mandated that some students go into the vocational curriculum.

Mr. Gill explained that students must choose paths. He stated that the student must have four credits within the pathway. He stated that was partly what led to the increase in the vocational program, but he also stated that it had become a popular program. He stated that it was limited to about 20 students per class, and therefore, it required more teachers.

Comm. Shafer asked if the teacher evaluators would be part time.

Mr. Sandvig explained that if they were not drawing social security, social security and medicare would be paid. Otherwise, only medicare would be paid. He explained that they would not be eligible for retirement or insurance.

Comm. Baum stated that the gap between the revenue and the expenditures would be made up by using funds from the fund balance. He asked how much was typically left unspent that would go into the fund balance.

Mr. Sandvig advised that typically between one percent and two percent would not be spent.

Mr. Gill stated that it varied from year to year. He stated that one of the best things that had happened a few years ago was to allocate five cents on the property tax rate for capital improvements. He stated that was money that had previously been spent from fund balance. He stated that whenever they have had additional money in fund balance, it had been used to purchase property and other capital programs.

Comm. Baum asked what the fund balance was currently or what would it be after the budget was adopted.

The Finance Director advised that the fund balance at July 1 was estimated at \$16,516,000, and the estimated ending fund balance at June 30, 2012 was \$10,055,461.

Comm. Baum asked how much of the fund balance would be needed to open Stewarts Creek High School.

Mr. Sandvig advised that probably \$3 to \$4 million would be needed for operating expenses. He stated that some of that would come from transferring positions. He explained that a high school was the least efficient at transferring positions, because the course offerings must be maintained.

Comm. Baum stated that by using \$6.4 million to fund the 2011-12 budget, there would be enough left to open Stewarts Creek High School, but the fund balance could not be zero.

Mr. Gill advised that the fund balance could not go below three percent.

Comm. Baum stated that it appeared that if \$6.4 million of the fund balance was used to fund the 2011-12 budgets, and money from the fund balance was also used to open Stewarts Creek High School, that the fund balance would fall below the requirement. He asked if the percentage of unspent money had been reflected in the estimated ending fund balance.

The Finance Director explained that was correct. She stated that that state budgeted reversions, but the county did not.

Comm. Jordan stated that he believed last year the ending fund balance was estimated in the \$10 to \$11 million range, and it actually closed at \$16 million. He stated that the fund balance typically ended better than projected.

Following discussion, Comm. Sandlin moved, seconded by Comm. Jernigan to approve the 2011-12 General Purpose School Fund budget with estimated revenue totaling \$260,423,271 and proposed expenditures totaling \$266,883,810.

Mayor Burgess asked Mr. Gill if he was receiving much assistance or oversight from the State Department of Education through the process of trying to move to the next level.

Mr. Gill stated that it was still a work in progress. He stated that there had been a meeting with the commissioner last week, and he has offered training and whatever help was needed.

Following discussion, the motion to approve the 2011-12 General Purpose School fund budget with estimated revenue totaling \$260,423,271 and proposed expenditures totaling \$266,883,810 passed unanimously by roll call vote.

2011-12 CENTRAL CAFETERIA FUND BUDGET:

The estimated revenue for the 2011-12 Central Cafeteria Fund totaled \$14,881,100, and the proposed expenditures totaled \$15,696,600 using \$815,500 of fund balance.

Mr. Sandvig advised that the budget would have to be amended next year, because they still had not had any federal input.

Mr. Sandvig advised that the fund balance in the Central Cafeteria Fund could not exceed three months of expenses.

Comm. Sandlin moved, seconded by Comm. Shafer to approve the 2011-12 Central Cafeteria Fund budget with estimated revenue totaling \$14,881,100 and proposed expenditures totaling \$15,696,600. The motion passed unanimously by roll call vote.

2011-12 EDUCATION CAPITAL PROJECTS FUND:

Mr. Sandvig advised that the proposed revenue for the 2011-12 Education Capital Projects Fund totaled \$2,353,213 and the estimated expenditures totaled \$2,423,064. The fund received \$.0451 of the property tax rate. The expenditures consisted of \$47,000 for Trustee's Commission and \$2,376,064 for capital improvements and repairs. It was estimated that \$69,851 of the fund balance would be used.

Comm. Jernigan moved, seconded by Comm. Peay to approve the 2011-12 Education Capital Projects Fund with estimated revenue totaling \$2,353,213 and proposed expenditures totaling \$2,423,064. The motion passed unanimously by roll call vote.

REVIEW BUDGETS FOR PUBLICATIONCOUNTY COMMISSION & COUNTY ATTORNEY:

Chairman Ealy advised that there was a deadline for the budget publication. She stated that if there were any changes to any budget, she believed the committee could address those at this meeting, and the meeting scheduled for Thursday, June 2 could be canceled.

The Finance Director distributed updates to three budgets -- County Commission, County Attorney, and Health Department.

Mayor Burgess advised that Ms. Shelton had retired. He explained that there had been discussions with Mr. Cope, and a proposal had been agreed upon that he believed would be a win/win situation for both Mr. Cope and the county. He explained that the way the County Attorney's Office was structured, the executive assistant was a county employee. He stated that Mr. Cope's preference, and he believed the county's preference, would be for the employee not to be a county employee and for the county to provide a fixed annual stipend to Mr. Cope for the use of the employee. Mr. Burgess recommended eliminating the executive assistant from the County Attorney's budget, which would decrease Account 101-51400-161, Secretary, from \$77,909 to \$29,965 along with the related benefits. Account 101-51400-399, Other Contracted Services, would be added to the budget in the amount of \$37,450. The net reduction to the County Attorney's budget was \$25,274 resulting in a total budget of \$390,410.

Mayor Burgess also explained that he was recommending a new account to the County Commission budget, Account 101-51100-399, Other Contracted Services, at an amount of \$6,000. The County Commission budget would increase from a total of \$231,355 to \$237,355. This account would be used to continue to pay Ms. Shelton on a per diem basis of \$500 a month to continue to take the minutes of the committees and to prepare the resolutions for the commission. He stated that the county would not be losing Ms. Shelton's expertise, and would be netting an increase of \$19,000 in cash to Rutherford County per year.

Mayor Burgess advised that the proposal would require an amendment to the Legal Services Agreement stating that the executive assistant position would not be a county employee and stating the rate that would be paid. He advised that he would be presenting amendment one to the Legal Services Agreement to the Steering Committee.

Comm. Peay moved, seconded by Comm. Shafer to revise the 2011-12 County Commission budget by adding Account 101-51100-399, Other Contracted Services, for \$6,000 resulting in a total budget of \$237,355; eliminating the executive assistant position and the related benefits from the County Attorney budget; and adding Account 101-51400-399, Other Contracted Services, at \$37,450 resulting in a total County Attorney budget of \$390,410. The motion passed unanimously by roll call vote.

HEALTH DEPARTMENT:

The Finance Director advised that the Health Department had received a contribution of \$245 for training. She explained that the Health Department would not be able to spend it before June 30, and she was requesting to amend Account 101-55110-355, Travel, from \$3,700 to \$3,945 resulting in a total 2011-12 Health Department budget of \$651,682.

Comm. Jordan moved, seconded by Comm. Jernigan to amend the 2011-12 Health Department budget increasing Account 101-55110-355, Travel, from \$3,700 to \$3,945 resulting in a total budget of \$390,410. The motion passed unanimously by roll call vote.

2011-12 BUDGET SUMMARY:

The Finance Director presented a summary of the 2011-12 General Fund budget reflecting changes that had been made by the committee. The estimated revenue totaled \$67,885,752 and the proposed expenditures totaled \$71,920,285 using \$4,034,533 of the Unassigned Fund

Balance. The Unassigned Fund Balance at July 1, 2011 was estimated at \$15,200,000, and the estimated Unassigned Fund Balance at June 30, 2012 was \$11,315,467.

Comm. Peay stated that at the Public Safety Committee the Sheriff's Department requested approval to apply for a COPS Grant to hire 10 officers. He stated that would need to be included in the budget.

The Finance Director stated that typically grant positions were not budgeted until a grant award had been received.

Mayor Burgess stated that if the grant was received, the actual cost that the county would incur in the first year would be the capital costs.

Comm. Jordan moved, seconded by Comm. Jernigan to approve the 2011-12 General Fund budget with estimated revenue totaling \$67,885,752 and proposed expenditures totaling \$71,920,285. The motion passed unanimously by roll call vote.

An analysis of the change in fund balance for the Fiscal Year ending June 30, 2012 was distributed reflecting total estimated revenue for all funds of \$427,602,286 and recommended appropriations totaling \$444,040,252.

BUDGET PUBLICATION:

Chairman Ealy advised that the last two years, the budget had been published in the Murfreesboro Post at a cost of \$1,680 for each year. This year the Murfreesboro Post has quoted a price of \$1,260.

The last time the budget was published in the Daily News Journal was in 2008, and the cost at that time was \$3,247. The Daily News Journal has quoted a cost of \$3,326.40 to publish the 2011-12 budget.

Comm. Jordan moved, seconded by Comm. Shafer to publish the 2011-12 Rutherford County budget in the Murfreesboro Post. The motion passed by roll call vote with Commissioners Baum, Jordan, Peay, Shafer, and Ealy voting "yes"; and Commissioners Jernigan and Sandlin voting "no".

ADJOURNMENT:

Chairman Ealy advised that the meeting scheduled for Thursday, June 2 would be canceled. The next Budget Committee meeting would be the regular monthly meeting on June 9.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 6:24 P.M.

Elaine Short, Secretary